

AR07

1972 ANNUAL REPORT

Cancorp



MAPLEX MANAGEMENT & HOLDINGS LIMITED

OFFICERS AND DIRECTORS

Maplex Management & Holdings Limited

OFFICERS

S. R. Bernardo, President, Brantford

R. S. Mills, Q.C., Secretary, Toronto

C. A. Blair, Treasurer & Chief Financial Officer, Simcoe

DIRECTORS

D. M. Alloway,
Toronto

S. R. Bernardo,
Brantford

C. A. Blair,
Simcoe

S. M. Fletcher,
Hamilton

R. G. Groom, Q.C.,
Tillsonburg

R. S. Mills, Q.C.,
Toronto

G. C. Noble,
Toronto

REPORT OF PRESIDENT

to the Shareholders of Maplex Management & Holdings Limited

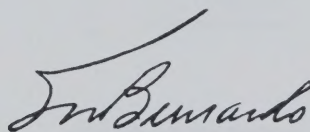
It is a pleasure to report the results of your Company at its first annual general meeting of shareholders since the acquisition of Abstainers' Insurance Company. Maplex was incorporated on April 7, 1971 as a holding company for Abstainers' Insurance Company to engage in a diversification program designed to reduce the company's dependence upon the automobile insurance business.

Maplex has two operating subsidiaries; Trans-Canada Investment Corporation Limited, 68.2% control of which was acquired following a cash offer to shareholders in April of 1971; Abstainers' Insurance Company, 95.46% control of which was acquired through a three-for-one share exchange offer made in the first quarter of 1972. The results of the two subsidiaries are reported upon separately later in this report by the two General Managers and ten year summaries have been included on supplemental schedules.

The earnings per share were 88c after extraordinary item and 68c before extraordinary item, respectively, based upon the weighted average of shares outstanding during the year. The consolidated net earnings for Maplex for the year ended December 31, 1972 amounted to \$179,051 after extraordinary item and \$137,589 before extraordinary item. While Maplex has now acquired 95.4% of Abstainers', the consolidated net earnings reflect only 61% of Abstainers' net earnings because the acquisition was not made until the end of the first quarter. For 1973, Maplex will participate in the full 95.4% of Abstainers' earnings.

Maplex plans to continue to broaden its earnings base in the future through the acquisition of other related businesses. We have already considered some other acquisitions, one of which is under detailed study at the present time.

Looking forward to 1973, Trans-Canada and Abstainers' expect to benefit from some of the reorganizational changes which were undertaken in the past year.




PRESIDENT.

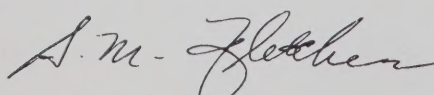
CONSOLIDATED BALANCE SHEET

Maplex Management & Holdings Limited
as at December 31, 1972

	1972	1971
ASSETS		
Cash	\$ 180,614	9,379
Trust funds	43,000	33,740
Accounts receivable	64,019	—
Accrued interest on investments	53,429	—
Deferred expense	7,193	8,750
Investments (Note 2)	4,564,590	351,185
	<u>4,912,845</u>	<u>403,054</u>
Intangible (Note 1)	208,284	47,971
	<u>\$ 5,121,129</u>	<u>451,025</u>
LIABILITIES		
Bank indebtedness, secured	\$ 353,070	343,043
Accounts payable and accrued	78,393	29,533
Advance premiums	41,884	—
Reinsurance payable	51,504	—
Provision for unsettled claims and adjustment expenses	1,610,380	—
Unearned premiums at 85%	1,171,511	—
	<u>3,306,742</u>	<u>372,576</u>
Minority interests	345,502	88,089
	<u>3,652,244</u>	<u>460,665</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 3)	1,329,588	7
Retained earnings (deficit)	139,297	(9,647)
	<u>1,468,885</u>	<u>(9,640)</u>
	<u>\$ 5,121,129</u>	<u>451,025</u>

Signed on behalf of the Board:

 Director
C. A. Blair

 Director
S. M. Fletcher

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Maplex Management and Holdings Limited
for the year ended December 31, 1972

	1972	1971
INCOME		
Management fees	\$ 33,634	26,590
Gain on sale and repurchase of units	60,717	45,384
Gain on sale of securities	251,742	(2,555)
Income from investments	271,047	5,599
Premiums earned — net	2,704,235	—
	<u>3,321,375</u> ✓	<u>75,018</u> ✓
EXPENSES		
Claims paid	1,888,694	—
Salaries and commissions	742,766	26,491
Other	374,056	41,772
	<u>3,005,516</u>	<u>68,263</u>
EARNINGS BEFORE INCOME TAXES AND MINORITY INTERESTS	315,859	6,755
Provision for minority interests	134,733	13,647
	<u>181,126</u>	<u>(6,892)</u>
Provision for income taxes — current (Note 4)	43,537	2,755
	<u>137,589</u> ✓	<u>(9,647)</u> ✓
EARNINGS BEFORE EXTRAORDINARY ITEM		
Extraordinary item — reduction in income tax provision due to loss carry forward from prior years	41,462 ✓	—
	<u>179,051</u> ✓	<u>(9,647)</u>
NET EARNINGS		
Deficit at beginning of year	9,647	—
	<u>169,404</u>	<u>(9,647)</u>
Dividend paid	30,107	—
	<u>\$ 139,297</u>	<u>(9,647)</u>
RETAINED EARNINGS AT END OF YEAR		
EARNINGS PER SHARE		
Based upon the weighted average of shares outstanding during the year:		
Before extraordinary item	\$0.68 ✓	
After extraordinary item	0.88 ✓	

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Maplex Management and Holdings Limited
for the year ended December 31, 1972

	<u>1972</u>	<u>1971</u>
SOURCE OF FUNDS		
Net earnings	\$ 179,051	(9,647)
Common shares issued	1,329,581	7
Minority interests contribution to net assets	<u>257,413</u>	<u>88,089</u>
	<u>1,766,045</u>	<u>78,449</u>
APPLICATION OF FUNDS		
Dividends paid	30,107	—
Intangible assets arising from acquisitions	<u>160,313</u>	<u>47,971</u>
	<u>190,420</u>	<u>47,971</u>
INCREASE IN NET ASSETS	<u>\$ 1,575,625</u>	<u>30,478</u>

AUDITORS' REPORT

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS

P.O. Box 431, Royal Trust Tower, Toronto-Dominion Centre, Toronto 111, Ontario

To The Shareholders
Maplex Management and Holdings Limited

We have examined the consolidated balance sheet of Maplex Management and Holdings Limited as at December 31, 1972 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination of Maplex Management and Holdings Limited and the subsidiary of which we are the auditors included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the other subsidiary.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 17, 1973

Riddell Stead & Co.

CHARTERED ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Maplex Management and Holdings Limited as at December 31, 1972

1. BASIS OF CONSOLIDATION

Maplex Management and Holdings Limited was incorporated on April 7, 1971. As at December 31, 1972, Maplex had purchased 68.2% of the outstanding common shares of Trans-Canada Investment Corporation Limited for \$211,890. The underlying book value of the net assets acquired was \$161,729. The excess of \$50,161 of the cost of the shares over the underlying book value of the net assets acquired has been reflected, upon consolidation, as an intangible asset.

As at December 31, 1972, Maplex had acquired 95.4% of the outstanding common shares of Abstainers' Insurance Company through the exchange of 362,613 Maplex common shares valued at \$1,329,581. The underlying book value of the net assets acquired was \$1,171,458. The excess of \$158,123 of the cost of the Abstainers' shares over the underlying book value of the net assets acquired has been reflected, upon consolidation, as an intangible asset.

The contribution of Maplex and its subsidiaries to consolidated net earnings is as follows:

	Net Earnings For Year	Minority Interest	Consolidated Net Earnings
Abstainers' Insurance Company	\$ 311,747	120,130	191,617
Trans-Canada Investment Corporation Limited	43,186	14,603	28,583
Maplex Management and Holdings Limited	(41,149)	—	(41,149)
	<u>\$ 313,784</u>	<u>134,733</u>	<u>179,051</u>

2. INVESTMENTS

	1972	1971
Equity in securities held by Trustee for Trans-Canada and special series trust certificates (quoted market 1972 — \$116,529; 1971 — \$128,033)	\$ 112,374	122,467
Marketable securities at cost (quoted market 1972 — \$4,736,715; 1971 — \$239,527)		
Bonds and debentures	2,799,870	—
Stocks	1,652,346	228,718
	<u>\$ 4,564,590</u>	<u>351,185</u>

3. CAPITAL STOCK

Authorized Common shares of no par value 2,000,000		
Issued at December 31, 1971	7 shares	\$ 7
Issued during the year	362,613 shares	1,329,581
Issued at December 31, 1972	<u>362,620 shares</u>	<u>\$ 1,329,588</u>

4. INCOME TAXES

Abstainers' taxable income for the current year and prior years has been increased or decreased by the deductions of unearned premiums in excess of or less than the provisions recorded in the accounts. The accumulated amount of deferred income taxes resulting from the claiming of the net excess for tax purposes is \$111,564. The effect upon 1972 consolidated net earnings is a reduction in taxes otherwise payable of \$7,466.

Income taxes of \$67,970 that would otherwise have been payable on the net earnings of Abstainers' for the year ended December 31, 1972 have been eliminated as a result of losses carried forward. The effect upon 1972 consolidated net earnings is a reduction in taxes otherwise payable of \$41,462. Losses of \$162,448 are available for deduction from Abstainers' taxable income in future years up to December 31, 1975.

5. Information pursuant to Section 122.2 of the Canada Corporations Act for the year ended December 31, 1972:

	Maplex	Abstainers	Trans-Canada
Number of directors	7	10	4
Aggregate remuneration as directors	\$ 2,650	8,300	5,950
Number of officers	3	6	3
Aggregate remuneration as officers	\$ —	18,000	18,000
Number of officers who are directors	3	6	3

GENERAL MANAGER'S REPORT

to the Shareholders of Maplex Management & Holdings Limited on the operation of Abstainers' Insurance Company for the year ended December 31, 1972

It is a pleasure to present the first report of Abstainers' Insurance Company to the Shareholders of Maplex Management & Holdings Limited, since acquisition of control in the first quarter of 1972.

In the final phasing out of the Company's business in the Province of Manitoba, a further \$137,000 of premium income was lost. Premium income from the Province of Alberta was lower by \$27,000, due to the cancellation of one large agency, reducing the volume in that province to \$393,000. These losses were partially overcome by an increase in the Province of Ontario of \$54,000. The net result in 1972 was a reduction in written premiums of \$112,000 after reinsurance to \$2,857,342, half of which is accounted for by a substantial increase in reinsurance costs during the year. This is not due to reinsurance experience in 1972, which was excellent, but a catching-up on automobile reinsurance experience in the late 60's which has now been corrected. Reinsurance experience on property has been excellent, and a substantial reduction in reinsurance costs on this section of the business has already been negotiated for 1973. If current experience continues, a major reduction in automobile reinsurance costs should be possible sometime within the next year. In 1972, there was an increase in property premiums of 36% bringing property premiums up to 8½% of the total premium income in comparison to 6% at the end of 1971. Our objective is to get this ratio over 10% in 1973. Total writings on personal property amounted to \$252,415 of which \$27,237 was written in Alberta, and the balance in the Province of Ontario.

Claims were down by \$81,000, but the net loss ratio increased from 68% in 1971 to 69.8% in 1972. However, the gross loss ratio of the Company, excluding reinsurance and Facility, decreased from 68.9% to 61.0%. During the year, a determined effort was made to settle all the old claims from the late 60's which had escalated due to inflation, in accordance with the experience of the industry in both Canada and the U.S.A. As of December 31, 1972, the Company had only twelve claims outstanding for '68 and '69, and none previous to '68. Five of these are open for expense or recovery only, leaving just seven claims on which we have any liability. Similarly, in 1970 we have 24 claims outstanding, of which 3 are open for expense or recovery only. For 1971 we have 108 claims outstanding, only seven of which carry a

reserve of \$10,000 or more. During each of these years, the Company received from 4,500 to 5,000 claims, but the balance are all settled. In the settlement of these claims, most of the savings went to the reinsurers rather than to Abstainers', which explains why the gross loss ratio went down by nearly 9% while the net increased by nearly 2%. This can not help but strengthen the Company's position going into 1973, if for no other reason than that there are far fewer claims outstanding which could escalate, as inflation continues to have a definite effect on claims costs.

Investment results for 1972 were excellent. Ordinary dividends and interest provided \$264,456 of investment income after all costs, in comparison to \$254,007 in 1971. Profit from the sale of investments produced \$197,630 in comparison to \$494 in 1971. The amortized book value of the investment portfolio increased only by approximately \$88,000 to \$4,221,130, but the market value, in spite of very substantial realized capital gains, increased by nearly \$350,000 to \$4,460,254. A buoyant stock market made this possible, but good management of the portfolio was still very necessary to produce these results.

The underwriting loss of \$150,000 was largely due to increased costs on a decreasing premium income, which should be partially corrected in 1973 by a more rigid control of costs, and with our loss of business in Manitoba completed, a reasonable growth pattern should once again become possible.

The net profit after extraordinary item of \$311,747 or \$2.38 per share compares very favourably with the profit after extraordinary item of \$255,719 or \$1.94 per share in 1971. The net profit before extraordinary item of \$243,777 or \$1.85 per share also compares favourably with the profit before extraordinary item in 1971 of \$154,449 or \$1.14 per share.

It is worthy of note that the earned surplus increased by \$270,000 to \$815,484, and net capital and surplus, or surplus for the protection of policyholders, increased by \$287,000 to \$1,599,202, the highest level in the Company's history.

The results for 1972 would not have been possible without the support of an excellent staff, and we pay tribute to their efforts at this time.

C. A. Blair
MANAGING DIRECTOR

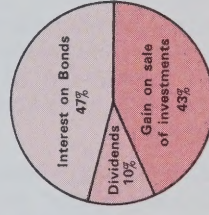
ABSTAINERS' INSURANCE COMPANY

(in thousands except per share amounts and percentages)

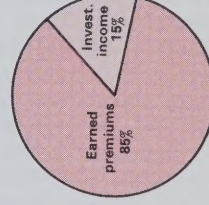
	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Gross Premiums Written	2,967	3,023	3,152	3,048	2,496	2,038	1,479	980	626	454
Reinsurance	208	152	164	180	131	79	44	39	26	21
Net Premiums Written	2,759	2,871	2,988	2,868	2,365	1,959	1,435	941	600	433
Premiums Earned (1)	2,704	2,893	2,945	2,696	2,199	1,756	1,265	799	532	412
Claims & Adjusting Expenses	1,889	1,970	2,587	2,179	1,411	961	775	511	340	284
General Expenses	966	921	936	830	706	542	391	255	170	133
Underwriting Profit (Loss)	(150)	3	(578)	(313)	82	254	98	33	21	(4)
Investment Income	264	254	230	181	132	101	64	40	30	25
Gain on Sale of Investments	198	.5	2	198	100	4	5	24	8	5
Net Profit Before Tax	312	257	(346)	67	314	359	167	97	59	26
Income Taxes	none	1	2	(56)	61	141	51	6	4	—
Net Profit	312	256	(348)	123	253	218	116	91	55	26
Preferred Dividends Payable	10	10	10	10	10	10	10	9	9	9
Common Earnings (1)	302	246	(358)	113	243	208	106	83	46	17
—per share (1)	2.38	1.94	(2.83)	.90	1.92	1.66	1.27	1.29	.72	.27
Common Dividends	32	32	32	32	22	13	2			
—per share	.25	.25	.25	.25	.175	.125	.025			
Est. Equity										
—per share (1) (2)	11.05	8.78	4.90	7.88	11.21	7.83	3.84	2.68	2.01	1.25
Industry Loss Ratio	Not available	67.5%	70.8%	73.9%	67.5%	64.4%	67.0%	69.7%	78.1%	78.4%
Company Loss Ratio	69.9%	68.1%	87.9%	80.8%	64.2%	54.7%	61.3%	64.0%	64.0%	68.9%
Company Expense Ratio	35.7%	32.0%	31.3%	28.9%	29.8%	27.7%	27.3%	27.1%	28.4%	30.6%
Company Combined Ratio	105.6%	100.1%	119.2%	109.7%	94.0%	82.4%	88.6%	91.1%	92.4%	99.5%
Shares Outstanding (2)	127	127	127	127	127	125	90	64	64	64

(1) In 1966 the Company began carrying Unearned Premiums at 85% as opposed to 80% in previous years. As a result of this change to more conservative accounting procedures, Net Premiums earned and Underwriting Profit were reduced by \$9,986 in 1966 or 11 cents per share before taxes, and estimated equity per share was reduced by 36 cents.

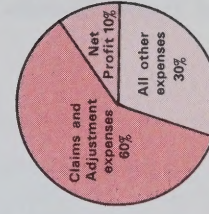
(2) Shares Outstanding has been adjusted for a 2 for 1 stock split in 1968, a 50 for 1 stock split in 1966, and a rights issue in 1965.



INVESTMENT INCOME



SOURCE OF INCOME



APPLICATION OF INCOME

GENERAL MANAGER'S REPORT

to the Shareholders of Maplex Management & Holdings Limited on the operation of Trans-Canada Investment Corporation for the year ended December 31, 1972

It is a pleasure to be able to report on the activities of your subsidiary company for the first full year of its operations following the acquisition of a majority of its shares by Maplex Management & Holdings Limited in June of 1971. Trans-Canada Investment Corporation is one of the oldest investment fund management companies in Canada, having been established in Vancouver, British Columbia in 1933 to administer a series of fixed investment trusts, the predecessors to our present day mutual funds. The company confined its activities within the one province, and now manages \$11,500,000 of assets in four funds, Trans-Canada Series "A", Series "B", Series "C", and Special Series, and has administered registered retirement savings plans since 1957. 1972 has been a year of transition and change for TCI during which your management began to act upon the recommendations made by the Board following an assessment of the future prospects of the company undertaken during the post acquisition period.

Based on this assessment of the company, your Board decided to re-direct the company away from its traditional role as an administrator of fixed investment trusts towards the following objectives:

- to become an investment manager of Mutual Funds—
- to create new managed Mutual Funds charging realistic management fees to succeed the old Unit Trusts—
- to expand the distribution of the Funds geographically into other provinces of Canada outside of the Province of British Columbia, and
- to establish its own sales force composed of a small number of highly qualified, experienced, full-time sales personnel strategically located across Canada.

In accordance with this plan, a new fund, Trans-Canada Shares Series "A" (new) was created to succeed the old original "A" fund which had been established in 1933, following a 10-for-1 share exchange from the old "A" to the successor "A" new fund, and the latter has been qualified for sale in British Columbia and Ontario. In addition, application has been made in Alberta and Saskatchewan.

An office has been located in Toronto, Ontario, at 52 St. Clair Avenue East, in facilities which are shared with the Metro Toronto Claims division of Abstainers' Insurance Company, and an agency has been established in Red Deer, Alberta.

Experienced sales managers have been engaged for the provinces of British Columbia and Ontario, with locations in Vancouver and Toronto, and two salesmen have been engaged; one in Victoria, Vancouver Island, and the other in Red Deer, Alberta.

This programme of expansion will be continued in 1973 by making application to qualify our Series 'A' (new) Fund in Manitoba and Quebec. The national character of the company at that time should enable us to solicit the support of independent stock brokers and investment dealers in selling the fund to supplement our own sales force. As part of this programme, Canada Permanent Trust Company was appointed Trustee, Transfer Agent, Registrar and Custodian of all of the Trans-Canada funds, replacing the former Trustee which operated only in the Province of British Columbia. Simultaneously, Trans-Canada took over the administration of all of its 1,200 savings plans in which periodic or instalment payments or withdrawals are made. This will result in cost savings to Trans-Canada but, more importantly, will establish an identification of Trans-Canada with its clients which was not previously possible as long as these accounts were administered by the Trustee.

Financial results for 1972 were favourably affected by your directors' decision in late 1970 to invest the company's liquid assets, together with new bank borrowings of \$125,000, in an investment portfolio of blue chip Canadian equities and shares of various Trans-Canada mutual funds under our management, the partial sale of which has resulted in a capital gain of \$54,112. Operating costs increased substantially to \$109,793, some of which are non-recurring, without providing a commensurate increase in operating revenue. After tax profits for the year, including capital gains, amount to \$43,186 compared to \$16,077 in 1971.

Looking forward to 1973, we expect the earnings to reflect the benefit from some of the changes described above.

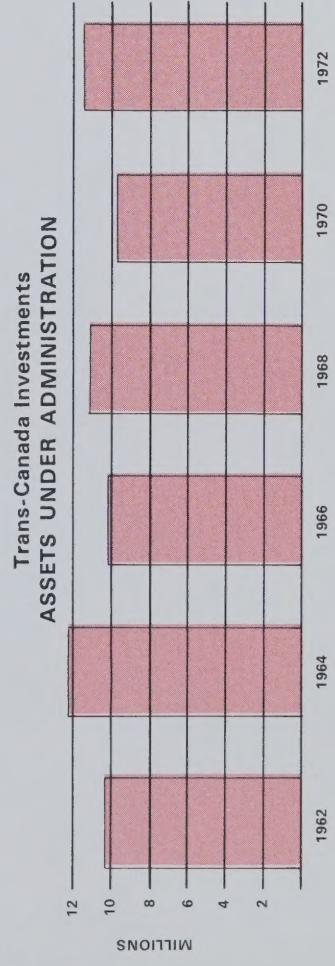
We are particularly fortunate in having an experienced, capable and willing staff, without which these results would not be possible, and to whom we acknowledge our appreciation here.

G. C. Noble
MANAGING DIRECTOR

TRANS-CANADA INVESTMENT CORPORATION LIMITED

Ten Year Financial Summary

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Income										
Management Fees	33,634	26,590	24,221	28,059	26,081	27,309	30,025	31,066	29,956	27,163
Gain on Sale of Units	60,717	45,384	26,584	34,676	76,061	61,247	25,365	49,422	69,256	53,037
Interest and Dividends	6,591	5,599	6,128	9,223	6,119	4,656	5,909	5,389	5,053	4,922
TOTAL INCOME	<u>100,942</u>	<u>77,573</u>	<u>56,933</u>	<u>71,958</u>	<u>108,261</u>	<u>93,212</u>	<u>61,299</u>	<u>85,897</u>	<u>104,265</u>	<u>85,122</u>
Expenses	109,793	56,186	38,888	39,083	37,770	49,135	41,054	40,164	50,127	65,285
Operating Profit	<u>(8,851)</u>	<u>21,387</u>	<u>18,045</u>	<u>32,875</u>	<u>70,491</u>	<u>44,077</u>	<u>20,245</u>	<u>42,910</u>	<u>54,138</u>	<u>19,837</u>
Gain on Sale of Investments	54,112	(2,555)	7,297	(47)	97	(2,587)	—	2,746	2,829	2,306
Gross Profit—Before Tax	45,261	18,832	25,342	32,828	70,588	41,490	20,245	42,910	56,967	22,143
Income Tax	2,075	2,755	3,545	6,626	25,706	12,111	4,752	12,968	15,074	—
Net Profit—After Tax	<u>43,186</u>	<u>16,077</u>	<u>21,797</u>	<u>26,202</u>	<u>44,882</u>	<u>29,379</u>	<u>15,493</u>	<u>29,942</u>	<u>41,893</u>	<u>22,143</u>
Dividends Paid	22,888	11,444	20,599	27,426	18,270	23,535	21,600	21,600	14,400	9,000
Earned Surplus	172,001	151,703	147,070	145,872	156,799	130,187	124,343	130,450	122,108	94,615
Capital Stock (Common Shares)	83,954	83,954	83,954	83,954	83,454	83,454	44,750	44,750	44,750	44,750
Net Worth at Book Value	<u>255,955</u>	<u>235,657</u>	<u>230,954</u>	<u>229,826</u>	<u>240,253</u>	<u>213,641</u>	<u>169,093</u>	<u>175,200</u>	<u>166,858</u>	<u>139,365</u>





MAPLEX MANAGEMENT & HOLDINGS LIMITED

Room 2014, Simpson Tower, Toronto 103, Ont.